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SUBJECT: GAUTRAIN CEO PROVIDES UPDATE ON ITS RAPID RAIL PROJECT  
LINKING JOHANNESBURG AND PRETORIA

11. (U) Summary. Gautrain CEO Jack van der Merwe outlined strategic objectives and current project developments for the Gauteng Province's new rapid rail project at the National Press Club on April 1, 2008. Van der Merwe expected the first-phase of the project to be completed in time for the 2010 FIFA World Cup, despite delays due to electricity shortages. He described the project's impact on sustainable growth and addressed the issue of improving the image of public transport. Van der Merwe conceded that its target market segment is limited and further investments will have to be made to improve public transport infrastructure and safety to assure commuters that this is a preferred means of transport. End Summary.

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Project Overview  
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12. (U) Gautrain CEO Jack van der Merwe provided a briefing on the Gauteng Province's new rapid rail project at the National Press Club on April 1, 2008. Van der Merwe outlined the project's strategic objectives and provided an update on the status of project developments. The Gautrain will link Pretoria and Johannesburg with ten stations. The 80-kilometer route will have three anchor stations: one at OR Tambo International Airport and one each in central Johannesburg and Pretoria. The airport link will provide non-stop service between OR Tambo and Sandton Station. Eight other stations at Rosebank and Marlboro in Johannesburg, at Rhodesfield in Kempton Park, at Midrand, at Centurion, and at Pretoria Station and Hatfield in Pretoria will transport commuters between Pretoria and Johannesburg.

13. (U) Strategic objectives include the promotion of economic growth through the decongestion of Gauteng traffic, business tourism, and Black Economic Empowerment (BEE). To date, the project has created 28,000 jobs and 2,000 apprenticeships. He expected job creation to total 93,000 and to contribute R6 billion (\$780 million) to business sales by the time the Gautrain project is completed. Van der Merwe stated that the project would be contributing between 0.7-1.0 percent to gross domestic product (GDP) growth during a five-year period. Signs of increased economic development are already visible near the Midrand and Marlboro stations. He noted that the Gautrain Project is the second largest Public-Private Partnership (PPP) in the world and the largest transport PPP.

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Gautrain on Track for 2010  
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14. (U) Van der Merwe expected the OR Tambo airport link to be completed in time for the 2010 FIFA World Cup, despite delays due to load shedding activities by Eskom. The project timeline had some built-in delays and he stated that construction had not come to a complete standstill. Gautrain's 43 construction sites have generators on-site and are not completely reliant on Eskom. However, an area of special concern is Rosebank, where the Gautrain's tunnel

boring machine runs completely on electricity. Eskom has provided Guatrain with a predictable four-hour window for power disruptions at this site. The project has scheduled maintenance for the machine to coincide with this window to minimize disruptions. He conceded that certain portions of the construction were behind schedule. He hoped to make up for lost time since other sections were running ahead of schedule. Van der Merwe also noted that the Guatrain Rapid Rail system will need steady a power supply once it is operational.

15. (U) The trains for the Gautrain link are being constructed in Q5. (U) The trains for the Gautrain link are being constructed in Darby, England and the first train is expected to arrive in October 2008. Van der Merwe stated that construction has begun on all ten Gautrain stations. Spending on the Gautrain Project in the 2006/07 financial year was R5.6 billion (\$727 million). The forecasted spending for financial year 2007/08 is R7.7 billion (\$1.1 billion). The total budget for the project is R25 billion (\$3.2 billion).

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Promoting Sustainable Growth and Changing  
Public Perceptions  
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16. (U) Van der Merwe described the Gautrain link as the "flagship public transport project of national importance" since it would stimulate growth and reduce traffic congestion in a booming province. He explained that Gauteng Province represented 1.46 percent of South Africa's land mass, but accounted for 33 percent of South African and 10 percent of all African GDP. According to Van der Merwe, the traffic congestion in Gauteng Province is growing by seven percent per year. Therefore, Van der Merwe advocated for improving and linking the existing public transport infrastructure. He explained that the Gautrain Project would be linked to other existing public transportation networks in South Africa. Van der Merwe also noted that the Cabinet had recently approved a rapid

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transport link for the Cape Town International Airport.

17. (U) Van der Merwe spoke about the need to improve the image of public transportation. He explained that currently there is a captive public transport audience. He noted that "spatial development has occurred in a way that poor South Africans are housed far from city centers and have to pay a lot for transport to and from work." Van der Merwe envisioned moving toward a public transport system similar to European models. He emphasized that South African public transport should be based on a "choice model, not a captive audience model". The "market segment that Gautrain is targeting is the one that currently drives between Pretoria and Johannesburg. The cost of a one-way ticket between the cities will be about R19 (\$2.50). The one-way ticket between OR Tambo Airport and Sandton Station will be about R80 (\$10.50).

18. (U) Van der Merwe also noted that public transportation had to be predictable for effective utilization. He said that the problem with the current South African Metrorail system was its unpredictable service. The Gautrain trip between Pretoria and Johannesburg would take approximately 40 minutes and would run on a predictable schedule. The Gautrain system will include park-and-ride facilities and 150 buses to provide local transport in a ten-kilometer radius around each station. Consumers will be able to utilize the same train tickets to access these buses.

19. (U) In response to media questions, Van der Merwe agreed that safety concerns had to be addressed to improve public perception and utilization. The Gautrain will incorporate safety features similar to the Jubilee line in London. Four hundred closed-circuit TVs and 300-500 security personal will be monitoring the stations and trains. He also commented that the SAG is considering reinstating its Railway Police to improve public transport safety.

110. (SBU) Comment. The Gautrain Rapid Rail Project aims to provide improved public transport in the Gauteng Province in time for the 2010 FIFA World Cup and to support long-term economic development. However, challenges such as access to adequate power supplies will affect its ability to deliver the project on time and operate on a

predictable basis. Gautrain management also concedes that its target market segment is limited, that further expansions to the rail system need to be made, and that improvements to existing public transport systems will have to be made. A final challenge for this project is the poor state of public security in Gauteng Province. Very few members of the targeted segment are willing to use the existing Metrorail system due to concerns for their personal safety. A few highly publicized muggings of business executives on their way to work are all that would be needed to turn this showcase public transport project into an embarrassing white elephant in the Gauteng government's front yard. End Comment.

END TEXT

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